

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

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| ADMINISTRATIVE MATTER | <input type="checkbox"/> | DATE | <u>December 14, 2018</u> |
| MOTOR CARRIER MATTER | <input type="checkbox"/> | DOCKET NO. | <u>2017-207-E/2017-305-E</u> |
| UTILITIES MATTER | <input checked="" type="checkbox"/> | ORDER NO. | <u>2017-370-E</u> |

SUBJECT:

DOCKET NO. 2017-207-E - Friends of the Earth and Sierra Club, Complainants/Petitioners v. South Carolina Electric & Gas Company, Defendant/Respondent;

DOCKET NO. 2017-305-E - Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920;

DOCKET NO. 2017-370-E - Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans - Staff Presents for Commission Consideration Final Disposition of the Issues in Docket Nos. 2017-207-E, 2017-305-E, and 2017-370-E.

COMMISSION ACTION:

Mr. Chairman, this motion is the culmination of a long process for these Dockets. We have listened carefully and extensively to a great number of stakeholders in the SCE&G nuclear cases, and I believe that it is now time to provide certainty and finality with regard to the many issues in these cases.

First, I move that we find that abandonment of the nuclear construction by SCE&G was prudent in this case, due to the bankruptcy of the general contractor Westinghouse, and subsequent withdrawal from the project by SCE&G's partner, Santee Cooper on July 31, 2017.

The remaining issues revolve around issues of whether portions of the cost of the project were prudent. As a result of the parties' efforts, no party argues for reimbursement of capital investment after March 12, 2015, which I move that we hold is a reasonable cut-off date for this investment. With this ruling, we would remove from consideration the effect on rates of the withholding of information from ORS and this Commission related to the SCE&G internal estimate at completion (EAC) calculations and the Bechtel Report. We have heard conflicting testimony on the reasons for the withholding of that information, but even SCE&G recognizes the resulting loss of trust from its lack of transparency. The Company has agreed to use the ORS date of March 12, 2015, as the end date for reimbursement of capital investment -- further recognition of the harm that comes from a lack of transparency. Although we have serious concerns about these matters, we are economic regulators, responsible for setting rates.

Second, to address a concept advocated by several parties to this case, I do not believe we can lawfully implement securitization in this case. Among other things, the South Carolina General Assembly has not enacted a securitization law, which would be necessary for implementation of such a proposal. Accordingly, securitization is not ripe for consideration for this Commission at this time. The Commission is part of the executive branch of South Carolina government, and cannot legislate. Rather, this Commission follows the law as enacted by the General Assembly. This Commission will continue to follow the law in this case.

Next, with regard to the proposed merger of SCANA and Dominion Energy, I move that we approve the merger, with conditions to be outlined shortly, and adopt Plan-B Levelized, including a 9.9% rate of return on equity, with rates to be established accordingly. In May of this year, an average SCE&G monthly residential bill totaled \$147.70. At present, under this Commission's legislatively ordered temporary experimental rate, such an average customer pays \$125.34 per month. I would note that approval of Plan-B Levelized would result in an average monthly bill of \$125.26 for an SCE&G residential customer using 1,000 kWh per month.

I believe that Plan B Levelized provides significant customer bill relief for SCE&G's customers without damaging SCE&G's creditworthiness or putting at risk SCE&G's financial soundness or ability to provide reliable service to the Company's customers, all of which are of great importance to its ratepayers. Plan B – Levelized provides for SCE&G/Dominion Energy to voluntarily write down capital costs of \$4.730 billion by about \$1.962 billion, including impairments taken to date. The remaining amount is about \$2.768 billion. These benefits can only be provided because of the support and infusions of capital that Dominion Energy will provide to SCE&G and its customers as merger benefits. No other proposed plan can provide the same combination of benefits that Plan-B Levelized can provide. I move that the other proposed plans be rejected. I note that the benefits available to ratepayers with the adoption of this Plan are in addition to benefits that ratepayers will receive from the proposed settlement of the civil lawsuits.

As part of the project, SCE&G undertook a major expansion and strengthening of the backbone of SCE&G's transmission system. The total amount invested was approximately \$322 million and the Company has testified that all aspects of the project will be in service as of January 31, 2019. Only the financing cost associated with \$275 million in capital is in rates today which is equivalent to approximately \$32 million in revenue requirement. The return of capital of the entire amount invested and the financing cost of the remaining approximately \$47 million are not in rates today. A determination of the rate base treatment will be determined in the next rate case.

With regard to specific merger conditions, the Joint Applicants made certain proposals. Recommendations from other parties use the Joint Applicants' list as a basis for discussion. Therefore, I move that we adopt the conditions proposed by the Joint Applicants with the following exceptions and additions:

- New Nuclear Development (NND) Cost Recovery Exclusions - In addition to the Joint Applicants' commitments to exclusions of certain costs to be prospectively excluded from SCE&G's NND Project rate base and SCE&G's cost of service for ratemaking purposes, I move that we adopt the more ratepayer-protective ORS description of excluded litigation expenses as set out in ORS proposal paragraph 5. I also note that SCE&G has agreed that the approximately \$180 million initial capital investment in the Columbia energy Center, a 540 MW combined-cycle natural gas-fired power plant located in Gaston, South Carolina, will be excluded from rate base and rate recovery, and therefore not a capital investment for which ratepayers will be responsible.
- Affiliate Transactions – In addition to the Joint Applicants' commitments, I move we adopt the ORS recommendation regarding Commission approval for any proposed structural reorganization and the ORS requirement for competitive sourcing, but with the removal of "least cost" language, because purchases that have the "least cost" are not always the most reasonable and prudent for the company or its customers because it must take into account total delivered cost, reliability, availability, and diversity of supply. However, the Commission's expectation is that absent such a showing, the Company will seek out the least cost option.
- Business Operations – In addition to the Joint Applicants' commitments regarding business operations, I move that the corporate offices of SCE&G shall stay in Cayce, South Carolina unless otherwise approved by this Commission. Further, Dominion shall add a current member of the SCANA board or executive management to its board as soon as practicable. As proposed by ORS, I move we further require that within three months of the merger, Dominion and SCE&G shall adopt and agree to adhere to a Code of Conduct developed in collaboration with the ORS and approved by the Commission. Such Code of Conduct shall be developed to assure that the utility and its officers, employees, and agents act to assure that they adhere to its duty to avoid the concealment, omission, misrepresentation, or nondisclosure of any material fact or information in any proceeding or filing before the Commission or ORS.
- Employee Matters – Dominion has committed to minimize reductions in local employment in part by allowing some of the Dominion Energy Services, Inc. employees supporting shared services functions to be located in Cayce where it makes economic and practical sense to do so. I move we require Joint Applicants

to report on their progress regarding this commitment twice annually for the next three years. I would also note that Dominion has committed to extend salary protections to non-executive employees an additional six months to July 1, 2020.

- Service Quality – ORS and this Commission support all of the Company commitments on service quality, which should be adopted. However, I believe that we should reject as unnecessary ORS additional requests, since the hearing record did not support a more severe focus on SCE&G's ratepayers' service quality experience.
- Financial – The Joint Applicants agree, to the extent any long-term debt issued following the merger is more expensive as a result of the merger, the cost of debt of such issuances shall be reduced to that average for purposes of calculating overall cost of debt in the first base rate proceeding following closing of the merger. We should adopt this proposal. I move that we reject the ORS proposal that differs. (p. 9)
- Community – The Joint Applicants commit to increased giving of \$1 million/year for at least five years and to maintaining SCE&G's corporate presence in the community. This proposal should be adopted. ORS has nothing in the record or even in its proposed order to support its additional proposals on community commitments. However, based on a colloquy between witness Blue and Commissioner Howard, I understand that Dominion has an Energy Share Program in Virginia that is somewhat similar to a voluntary Round-Up program several rural cooperative utilities have in South Carolina. The co-ops' program allows ratepayers to choose to round their utility bills up to the next whole dollar. These amounts can be used to alleviate financial pressure on low-income members of the residential ratepayer class caused by electric bills. I strongly encourage Dominion to consider implementing a similar program for its South Carolina ratepayers.
- Merger Savings and Rate Case Stay-out / Comeback – The Joint Applicants have committed that Merger Savings will be recovered in next rate case, to be filed May 1, 2020; further, they will provide a total of \$2.45 million refund to natural gas customers as bill credits in 2019, 2020, and 2021. This is reasonable and should be adopted. I believe that we should reject as premature the ORS recommendation to quantify estimated merger savings now, since such savings are not known at this time.
- Transco Settlement – In that settlement, the Joint Applicants commit to an establishing a Request for Proposal (RFP) for commitments of over 100,000 dekatherms/day, and agree not to contract for capacity with an interstate pipeline unless with a least-cost provider or with Commission approval. I move that we approve this commitment, with rejection of additional proposed requirements as outside the Commission's jurisdiction and a matter for the South Carolina legislature.

I also move that we approve the settlement agreements between the Joint Applicants in this case and Transcontinental Pipeline and, in principle, between the Joint Applicants and the South Carolina Solar Business Alliance, with some slight modifications. I do not believe that these agreements should rise to the level of merger conditions, but should exist as separate agreements. With regard to the Settlement Agreement between the Solar Business Alliance and the Joint Applicants, I move that we interpret Paragraph 3 to mean that the Integrated Resource Plan should not be modeled with sensitivities for an imputed value of at least \$25/ton for carbon emissions for all scenarios. Certainly, one scenario could be modeled accordingly, but the \$25/ton should not limit all scenarios presented, or the agreement would not be consistent with state law on integrated resource plans. Further, I move that the companies' commitment to funding of an outside consultant and an Independent Evaluator to examine IRPs shall be provided through shareholder funds and not ratepayer funds.

Further, I move that the ORS proposal to return all revised rates collected after abandonment on July 31, 2017, as a regulatory liability for refund of revised rates be rejected. The purpose of revised rates was to allow recovery for the cost of capital that had been spent for the past period. Later abandonment does not change the fact that the money for cost of capital for a given period has, in fact, already been spent. The revised rates proceedings approved recovery of those specific expenditures. In addition, I move adoption of the Adjustments to Costs as proposed by the Joint Applicant's proposed order.

I also move that we issue a written Order further detailing this Motion, and that all Motions made in the case not specifically addressed in the Order be deemed denied, and any unaddressed objections be overruled. I move that we instruct Staff to prepare a proposed Notice to Customers related to this motion, which this Commission will address at its next business meeting. I move that the actions in Docket Nos. 2017-207-E

and 2017-305-E be dismissed, because of our holdings regarding the issues in Docket No. 2017-370-E as outlined above. I further move that the Motion in Limine as filed by the Joint Applicants be denied as moot.

Mr. Chairman, clearly my proposed Motion will not completely satisfy the concerns of everyone with an interest in this case. However, I believe it has enormous value for all SCE&G ratepayers, stakeholders, and the State as a whole. Certainly, it is my wish that more could be done, however, this Commission has to utilize the record in this case to provide the best remedy that it can under the circumstances. I believe that this Motion provides great value to everyone concerned, and I move that it be granted.

PRESIDING: Randall

SESSION: Regular

TIME: 1:00 p.m.

| | MOTION | YES | NO | OTHER |
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| ELAM | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| ERVIN | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| HAMILTON | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| HOWARD | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| RANDALL | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| WHITFIELD | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| WILLIAMS | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

(SEAL)

RECORDED BY: J. Schmieding

